Money: A Study of the Theory of the Medium of Exchange. By DAVID KINLEY, Ph. D. New York, The Macmillan Company, 1904.—xviii, 415 pp.

Professor Kinley's book presents a valuable addition to recent discussions on the theory of money. It contains abundant evidence of wide reading, breadth of view, careful analysis, close reasoning and intimate knowledge of the varied aspects of the subject, and it is certain to enhance the author's already well-established reputation as a sound and thorough worker in the field of economic theory and history. The book is all the more welcome because it attempts to restate the theory of money and credit in a form which is in substantial harmony with the most cherished traditional views, and which at the same time avoids many of the pitfalls which recent critics of the older theories have revealed.

Naturally, Professor Kinley's discussion centers in the theory of prices and is particularly concerned with the influence of the quantity of money upon its value. On this point he adopts the essence of the quantity theory. He holds that changes in the quantity of money affect prices directly, in precisely the manner explained by the older theorists, and that credit rests upon coin in substantially the sense traditionally recognized. Professor Kinley's innovations consist in the carefulness with which he has analyzed and discussed elements of the problem which older writers overlooked or ignored, in the recognition and description of influences, agencies and forces which counteract the influence of the quantity of money, and in the completeness and scope of his discussion.

The most important chapters of the book are very hard reading. The reasoning is abstract, close and intricate. The reader must spend much time and re-read frequently before he can be certain of having grasped the author's meaning. It must be acknowledged that the subject as treated by Professor Kinley is not an easy one; but after due allowance has been made for all intrinsic difficulty, most readers will probably feel that the author's views could have been presented in a clearer manner.

A criticism of Professor Kinley's basal propositions would require more space than would be appropriate in this review. It must suffice merely to indicate what seem to the present reviewer to be the weak places in the author's elaborate fabric of reasoning. In the first place, the use of the doctrine of marginal utility as a means of explaining the value and relative serviceableness of the various elements of the modern complex medium of exchange demands a formulation and extension of that doctrine for which one will search in vain in this book. As stated

in the writings of its chief authors and expositors it is quite inadequate to the uses to which Professor Kinley puts it. With him it is a veritable *deus ex machina*. Whenever he comes face to face with the real difficulties presented by the quantity theory—and that happens often—he sweeps them all away by referring to the marginal utility of commodity money to society, or to the relative marginal utilities of coin and credit transfers, or of the use of coin in exchanges and in reserves, *etc*. Now this may be the key to the situation, but some argument and explanation are necessary to make it appear so. We should like to know in what category of goods (consumption or production) Professor Kinley puts money, credit, reserves, *etc*., and precisely how he connects their utility with the specific wants of individuals, which is the test to which every application of the doctrine of marginal utility must be put. We must have the valuation process laid bare and made clear before we are able to see just how it solves the difficulties of the quantity theory.

A crucial point in the discussion is the relation between bank credit and bank reserves. Here the argument is very inadequate, and, in the opinion of the present writer, quite misses the mark. Professor Kinley sees the crux of the situation in the failure of accounts to balance and in the assumed necessity of paying balances in coin; but he ignores or very much minimizes the time element in the problem, the ease with which a deficit to-day can be met by a surplus to-morrow, and the practically unlimited capacity of bankers to pay balances by credit operations involving future payments. His statements regarding the relation between the size of balances and the magnitude of credit operations need the support of arguments or facts. In their present form they are far from convincing.

In this connection should also be mentioned the sections treating of rapidity of circulation and its influence upon the value of money. These are confused and mechanical in the extreme. The writer seems completely to have lost his moorings in the intricacies and sinuosities of his analysis and reasoning.

The later chapters of the book, treating of the measurement of variations in the purchasing power of money, the standard of deferred payments, bimetallism, some factors which modify the influence of price changes, inconvertible and convertible paper money, are the most satisfactory. Here the scope of the discussion is comprehensive, though the individual points are less fully treated than in the earlier chapters. Students will find these chapters valuable as summaries and as guides to the literature and to the materials for study.

WILLIAM A. SCOTT.

UNIVERSITY OF WISCONSIN.